

# EYGS LLP

## Members' Report and Financial Statements

28 June 2019

*Registered No. OC301032*  
*Registered in England and Wales*



## Members' report

The members of EYGS LLP present their report and financial statements for the period from 30 June 2018 to 28 June 2019 (the comparative period being from 1 July 2017 to 29 June 2018).

### Principal activity

The principal activity of EYGS LLP ("LLP") is the provision of services to each of the Member Firms of the EY network ("Member Firms"). This is to further the international alignment, enhancement, cooperation and cohesion among the Member Firms. Service fees are collected from the Member Firms to cover the costs of the services which the Member Firms will collectively benefit from. The LLP and its subsidiaries (collectively, the "group") only provide services to Member Firms and provide these services as a mutual trader.

In line with its mutual purpose, the LLP earned income sufficient only to cover its costs in the period and make a minimal profit. As a limited liability partnership, under UK law, the LLP does not pay tax on its own behalf, rather its members are individually assessed to income tax on their share of profits.

### Designated members and their interests

For the period ended 28 June 2019 and the period up until approval of the financial statements, the designated members were as follows:

A J Baldwin	(appointed: 1 July 2019)
D N Holtze	(resigned: 30 June 2019)
A J Mann	(appointed: 1 July 2019)
L P Pagnutti	
C Di Sibio	(resigned: 30 June 2019)

The designated members have not contributed any capital to the LLP.

### Transactions with members

Profits are allocated to members at the discretion of the designated members after the period end. It is the policy of the group not to allow remuneration or drawings to be made to members during the period.

### Future developments

The designated members do not expect significant changes to the present nature of the business in the near future and the network is expected to continue to expand and require further services.

### Auditor

Having made enquiries of fellow members and of the LLP's auditor, each person who is a designated member at the date of approving this annual report confirms that:

- To the best of each designated member's knowledge and belief, there is no information (that is, information needed by the LLP's auditor in connection with preparing their report) of which the LLP's auditor is unaware; and
- Each designated member has taken all steps a designated member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the LLP's auditor is aware of that information.

BDO LLP is to be re-appointed auditor to the group for the period ending 3 July 2020, and have expressed their willingness to continue in office.



Alisdair Mann

On behalf of the members

Date: 26 November 2019

## Statement of members' responsibilities

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ("LLP Regulations") require the members to prepare financial statements for each financial period. Under the LLP Regulations, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the LLP and of the profit and loss of the group and the LLP for that period. The members have elected to prepare financial statements for the group and the LLP in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

IAS 1 "Presentation of Financial Statements" requires that financial statements present fairly for each financial period the group and Limited Liability Partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS as adopted by the European Union. Members are also required to:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's and the LLP's financial position and financial performance;
- state whether the group and LLP financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under the LLP Regulations, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and disclose with reasonable accuracy at any time the financial position of the group and the LLP, and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The members' responsibilities set out above are discharged by the designated members on behalf of the members.

The group has agreements to provide services to Member Firms who are part of the EY network. Note 21 details how the group manages its risks including liquidity risk, credit risk, interest rate risk, and foreign currency risk. The designated members believe that the group is well placed to manage its business risks successfully, through contractual arrangements with Member Firms and access to borrowing facilities, and have a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these annual reports and financial statements. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

## **Independent auditor's report to the members of EYGS LLP**

We have audited the financial statements of EYGS LLP (the 'Limited Liability Partnership' and its subsidiaries (the 'Group')) for the 52 week period ended 28 June 2019 which comprise the Consolidated and LLP Statements of Comprehensive Income, the LLP and Consolidated Statements of Changes in Equity, the LLP and Consolidated Balance Sheets, the LLP and Consolidated Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Limited Liability Partnership's affairs as at 28 June 2019 and of Group's and of the Limited Liability Partnership's profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Members' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## **Independent auditor's report to the members of EYGS LLP**

### **Other information (continued)**

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Limited Liability Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the Limited Liability Partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Members**

As explained more fully in the Statement of Members' responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and Limited Liability Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Group or the Limited Liability Partnership or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

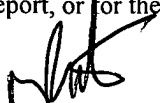
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Independent auditor's report to the members of EYGS LLP

### Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew White (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date

29 November 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated statement of comprehensive income

for the period ended 28 June 2019

	<i>Notes</i>	<i>2019 \$m</i>	<i>2018 \$m</i>
<b>Revenue</b>	3	4,207	3,958
Operating expenses	4	(4,172)	(3,921)
<b>Operating profit</b>		35	37
Net finance costs	6	(17)	(20)
<b>Profit before tax</b>		18	17
Tax charge	7	(17)	(16)
<b>Profit and total comprehensive income for the period available for discretionary division among non-controlling interests</b>		1	1

## Consolidated statement of changes in equity

for the period ended 28 June 2019

	<i>Non-controlling interests \$m</i>	<i>Retained earnings \$m</i>	<i>Total equity \$m</i>
At 30 June 2017	3	–	3
Profit and total comprehensive income for the period	1	–	1
Allocation of profits	(1)	–	(1)
At 29 June 2018	3	–	3
Profit and total comprehensive income for the period	1	–	1
Allocation of profits	(1)	–	(1)
At 28 June 2019	3	–	3

## LLP statement of comprehensive income

for the period ended 28 June 2019

	<i>Notes</i>	<i>2019 \$m</i>	<i>2018 \$m</i>
<b>Revenue</b>	3	1,771	1,691
Operating expenses	4	(1,762)	(1,679)
<b>Operating profit</b>		9	12
Net finance costs	6	(4)	(6)
<b>Profit before tax</b>		5	6
Tax charge	7	(5)	(6)
<b>Profit and total comprehensive income for the period available for discretionary division among members</b>		—	—

## LLP statement of changes in equity

for the period ended 28 June 2019

	<i>Retained earnings \$m</i>	<i>Total equity \$m</i>
At 30 June 2017	—	—
Profit and total comprehensive income for the period	—	—
Allocation of profits	—	—
At 29 June 2018	—	—
Profit and total comprehensive income for the period	—	—
Allocation of profits	—	—
At 28 June 2019	—	—



# Consolidated balance sheet

at 28 June 2019

Registered number OC301032

			(Restated)*
		28 June	29 June
		2019	2018
	Notes	\$m	\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	9	12	15
Intangible assets	10	652	581
Trade and other receivables	11	13	3
Accrued income	12	556	605
Investments in EY global entities	14	—	—
<b>Total non-current assets</b>		<b>1,233</b>	<b>1,204</b>
<b>Current assets</b>			
Trade and other receivables	11	1,438	1,498
Accrued income	12	80	80
Cash and cash equivalents	15	242	150
<b>Total current assets</b>		<b>1,760</b>	<b>1,728</b>
<b>TOTAL ASSETS</b>		<b>2,993</b>	<b>2,932</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	1,752	1,557
Deferred revenue	17	781	800
Loans and borrowings	18	16	72
<b>Total current liabilities</b>		<b>2,549</b>	<b>2,429</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	108	170
Loans and borrowings	18	333	330
<b>Total non-current liabilities</b>		<b>441</b>	<b>500</b>
<b>Equity</b>			
Retained earnings attributable to members of the LLP	19	—	—
Non-controlling interests		3	3
<b>Total equity</b>		<b>3</b>	<b>3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,993</b>	<b>2,932</b>

\* See note 2

Approved by the members and authorised for issue on 26 November 2019:



Alisdair Mann

On behalf of the members

Date: 26 November 2019

**LLP balance sheet**

at 28 June 2019

Registered number OC301032

			(Restated)*
		28 June	29 June
		2019	2018
	Notes	\$m	\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	9	12	14
Accrued income	12	556	605
Investments	13,14	—	—
<b>Total non-current assets</b>		<b>568</b>	<b>619</b>
<b>Current assets</b>			
Trade and other receivables	11	729	702
Accrued income	12	80	80
Cash and cash equivalents	15	180	77
<b>Total current assets</b>		<b>989</b>	<b>859</b>
<b>TOTAL ASSETS</b>		<b>1,557</b>	<b>1,478</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	953	818
Deferred revenue	17	446	440
<b>Total current liabilities</b>		<b>1,399</b>	<b>1,258</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	108	170
Loans and borrowings	18	50	50
<b>Total non-current liabilities</b>		<b>158</b>	<b>220</b>
<b>Equity</b>			
Retained earnings attributable to members of the LLP	19	—	—
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,557</b>	<b>1,478</b>

\* See note 2

Approved by the members and authorised for issue on 26 November 2019:



Alisdair Mann

On behalf of the members

Date: 26 November 2019

## Consolidated cash flow statement

for the period ended 28 June 2019

	2019	(Restated) 2018
	\$m	\$m
Profit for the financial period	1	1
Depreciation and amortisation charge	108	101
Net finance costs	17	20
	<u>126</u>	<u>122</u>
Decrease/(increase) in trade and other receivables	50	(59)
Decrease in accrued income	49	38
Increase in trade and other payables	133	84
(Decrease)/increase in deferred revenue	(19)	73
<b>Net cash inflows from operating activities</b>	<u>339</u>	<u>258</u>
<b>Investing activities</b>		
Payment of development costs and purchase of intangible assets	(176)	(126)
Purchase of plant and equipment	–	(1)
<b>Net cash outflows from investing activities</b>	<u>(176)</u>	<u>(127)</u>
<b>Financing activities</b>		
Interest paid, net of patronage dividend, to EY Global Finance Inc.	(17)	(19)
Dividends paid to non-controlling interests	(1)	(1)
Proceeds from loan from EY Global Finance Inc.	–	140
Repayment of loan to EY Global Finance Inc.	(60)	(220)
Proceeds from other loans	10	–
Repayment of other loans	(3)	–
<b>Net cash outflows from financing activities</b>	<u>(71)</u>	<u>(100)</u>
<b>Net increase in cash and cash equivalents</b>	<u>92</u>	<u>31</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>150</u>	<u>119</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>242</u></u>	<u><u>150</u></u>

## LLP cash flow statement

for the period ended 28 June 2019

	2019	(Restated) 2018
	\$m	\$m
Profit for the financial period	—	—
Depreciation and amortisation charge	2	2
Net finance costs	4	6
	<u>6</u>	<u>8</u>
Increase in trade and other receivables	(27)	(64)
Decrease in accrued income	49	38
Increase in trade and other payables	73	39
Increase in deferred revenue	6	56
<b>Net cash inflows from operating activities</b>	<u>107</u>	<u>77</u>
<b>Financing activities</b>		
Interest paid, net of patronage dividend, to EY Global Finance Inc.	(4)	(6)
Proceeds from loan from EY Global Finance Inc.	—	80
Repayment of loan to EY Global Finance Inc.	—	(120)
<b>Net outflows from financing activities</b>	<u>(4)</u>	<u>(46)</u>
<b>Net increase in cash and cash equivalents</b>	<u>103</u>	<u>31</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>77</u>	<u>46</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>180</u></u>	<u><u>77</u></u>

## Notes to the financial statements

at 28 June 2019

### 1. Corporate information

EYGS LLP ('the LLP') is a limited liability partnership incorporated, domiciled and registered in England and Wales (Registered number OC301032). Its registered office is 6 More London Place, London, SE1 2DA.

The consolidated and LLP financial statements of the LLP and its subsidiaries (collectively, the "group") for the period ended 28 June 2019 were authorised for issue by the designated members on behalf of the members on 26 November 2019.

Details of the principal activity of the LLP can be found in the Members' report.

### 2. Significant accounting policies

The principal accounting policies are summarised below and have all been applied consistently throughout the period and preceding period, unless otherwise stated.

#### Basis of preparation

The consolidated and LLP financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on the accrual basis of accounting using a number of measurement bases, as set out in the accounting policies below. Information about estimates and judgements used are set out in the accounting policies, the most significant being revenue recognition, the recoverability of trade and other receivables and the capitalisation and impairment of internally developed software (see below). The functional currency of the LLP is US dollars. The financial statements are presented in US dollars and, unless otherwise indicated, are rounded to the nearest million US dollars (\$m).

The designated members believe it is appropriate to present the accounts on a going concern basis. Further details can be found within the Statement of members' responsibilities.

The financial statements have been prepared for the 52 week period from 30 June 2018 to 28 June 2019 (the comparative period being the 52 week period from 1 July 2017 to 29 June 2018).

#### Basis of consolidation

The group financial statements include the financial statements of EYGS LLP and the entities it controls (its subsidiaries) drawn up to 28 June 2019. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group balances and transactions have been eliminated in full.

#### Non-controlling interests

Non-controlling interests represent the portion of profit or loss, other comprehensive income and equity that is not attributable to the members of the LLP. Non-controlling interests relate to equity interests held by individual, non-voting shareholders in Ernst & Young Asia Pacific Services (HK) Limited.

#### Investments

Investments in subsidiaries are carried at cost less provision for impairment. Investments in EY global entities are designated at fair value with gains and losses recognised in other comprehensive income.

#### Foreign currencies

Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement as they arise.

## Notes to the financial statements

at 28 June 2019

### 2. Significant accounting policies (continued)

#### Revenue

Revenue from contracts with customers is earned from providing services under long-term contractual arrangements with Member Firms and members of the group (the “customers”). These services represent a series of performance obligations which are satisfied over time.

Revenue is recognised over time as services are provided, as the group has an enforceable right to payment for performance completed to date and its performance does not create an asset with an alternative use for the group. The input method is used to measure progress toward complete satisfaction of the service as it provides a faithful depiction of the transfer of services, as the group charges its customers on a cost basis. The group acts as principal in providing these services and revenue is reported at the gross amount receivable in return for its performance because it typically controls the services before transferring them to the customer.

Finance income represents amounts received and receivable in respect of cash at bank and interest-bearing amounts receivable from Member Firms.

#### Contract balances

##### *Accrued income*

Accrued income represents the excess of revenue that has been recognised over amounts allocated and billed to customers. These amounts will be allocated and billed to Member Firms in future years. Accrued income is transferred to trade receivables once the group has an unconditional right to payment which normally occurs when the group has allocated charges and billed these to Member Firms.

##### *Trade receivables*

Trade receivables represent the group’s unconditional right to receive consideration.

Trade and other receivables are generally carried at the original invoice amount, less an allowance for expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the group expects to receive.

For trade receivables and accrued income, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision that is based on its historical credit loss experience with individual Member Firms and the ageing profile of outstanding invoices, adjusted for forward-looking factors specific to the debtors and the economic environment in which they operate.

##### *Deferred revenue*

Deferred revenue represents the obligation to transfer services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. Deferred revenue is recognised as revenue when the group performs under the contracts with its customers.

#### Leases

Rentals payable under operating leases, which do not transfer substantially all the risks and rewards of ownership of the asset, are charged or credited in the statement of comprehensive income on a straight-line basis over the lease term. Increases in annual rentals following rent reviews are recognised over the remaining lease term from the time they are incurred.

#### Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities by applying tax rates that are enacted or substantively enacted by the balance sheet date in the countries in which the group operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## Notes to the financial statements

at 28 June 2019

### 2. Significant accounting policies (continued)

#### Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to apply in the financial period when the liability is settled or the asset is realised based on tax rates that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available to allow the asset to be recovered.

The taxation payable on the LLP's profits is the personal liability of the members.

#### Net finance costs

Net finance costs include interest payable on interest bearing loans and borrowings less patronage dividends receivable from the lending entity in respect of these loans.

#### Plant and equipment

Plant and equipment assets are stated at cost less accumulated depreciation and any impairment in value. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation is charged so as to write off the cost of assets to their residual value over their expected useful lives using the straight-line method. The expected useful lives are as follows:

Leasehold property improvements	–	The shorter of the lease term and 10 years
Computers and other equipment	–	5 years

#### Intangible assets

Intangible assets comprise the internally developed practice management system, audit software, other internally developed software and software licences.

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. Internally developed software has a useful life of between three and fifteen years and licenses are amortised over the length of the license to a maximum of three years.

As part of the contractual arrangements that the group has with Member Firms, management has elected to recover the cost of intangible assets from Member Firms as they are amortised, together with any associated costs as they are incurred.

#### Employee benefits

A subsidiary of the group operates a defined contribution retirement benefit scheme for all its employees. Contributions are made based on a percentage of employees' basic salaries and are charged to the statement of comprehensive income as they become payable. The assets of the scheme are held separately from those of the group in an independently administered fund.

#### Financial instruments

Financial instruments are recognised when the group becomes party to the contracts that give rise to them and they are derecognised on settlement. They are measured initially at fair value, normally being the transaction price. The subsequent accounting treatment depends on the classification of an instrument as set out below.

## Notes to the financial statements

at 28 June 2019

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Trade and other payables*

Trade and other payables are carried at amortised cost, which for amounts due to Member Firms generally approximates the original invoiced amount.

##### *Interest bearing loans and borrowings*

Loans and borrowings are initially measured at the fair value of consideration received less directly attributable transaction costs, and subsequently at amortised cost using the effective interest method.

Interest payable on loans and other borrowings is recognised as an expense in the statement of comprehensive income when incurred.

##### *Interest compensation liabilities*

Interest compensation liabilities are initially recognised at fair value on the date in which the interest compensation liability contract is entered into and are subsequently measured at amortised cost using the effective interest method.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and current balances with banks and short-term deposits with an original maturity date of less than three months that are readily convertible to known amounts of cash.

For the purpose of the cash flow statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts.

#### **New and amended accounting standards and interpretations and other changes to the financial statements**

The group has applied IFRS 15 and IFRS 9 for the first time in these financial statements. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 amends the requirements for measuring and recognising revenue. The standard's core principle is that revenue is recognised to reflect the transfer of promised services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring those services.

The group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The group did not apply any of the other available optional practical expedients.

IFRS 15 provides detailed guidance on balance sheet items arising from revenue recognition. Deferred income can only include amounts which represent the group's obligation to transfer services to customers for which the group has received, or is due, consideration from the customer. As a portion of the advanced billing relates to the recovery of the accrued income balance, that portion of the billing has been credited to accrued income rather than deferred income. Accordingly, the balance sheets of the group and the LLP as at 29 June 2018 were restated, resulting in a reduction of the deferred revenue balance and the accrued income balance in respect of the element of the quarterly billing in advance that relates to the recovery of the accrued income balance (\$34m). On adoption of IFRS 15, accrued income has been reclassified from trade and other receivables to a separate line on the balance sheet.

While accounting policies and disclosures are updated as appropriate, the adoption of IFRS 15 did not have an impact on the group and LLP's statements of comprehensive income or operating, investing and financing cash flows for the period ended 29 June 2018 or the preceding period.



## Notes to the financial statements

at 28 June 2019

### 2. Significant accounting policies (continued)

#### **New and amended accounting standards and interpretations and other changes to the financial statements (continued)**

##### **IFRS 9 *Financial instruments***

While accounting policies and disclosures are updated as appropriate, the transition to IFRS 9 has had no impact on the group and LLP's statements of comprehensive income, balance sheets or operating, investing and financing cash flows for the period ended 29 June 2018 or the preceding period.

##### ***Others***

Several other amendments and interpretations apply for the first time in the current period, but do not have an impact on the consolidated financial statements of the group.

##### **Standards that are not yet effective**

A number of standards and other pronouncements are in issue that are not yet effective and have not been adopted, many of which are not relevant to the group. The new standard that is expected to be most relevant to the group is IFRS 16 Leases which will change the accounting requirements for substantially all of the group's leases and will become effective for the period to 3 July 2020. The group plans to adopt IFRS 16 using the modified approach with no change to the prior reporting period presented. Right-of-use assets will initially be measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments. The group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

On adoption of IFRS 16 on 29 June 2019, the group has recognised a right-of-use asset of \$28m and a lease liability of \$27m. The adoption of IFRS 16 is not expected to have a material impact on profit before taxation for the next financial period, however it is expected that there will be an increase of approximately \$1m in finance costs with a similar decrease in operating expenses.

## Notes to the financial statements

at 28 June 2019

### 3. Revenue

<i>Type of service</i>	<i>Group 2019 \$m</i>	<i>LLP 2019 \$m</i>	<i>Group 2018 \$m</i>	<i>LLP 2018 \$m</i>
Global assessment	1,643	1,643	1,580	1,580
Global services	2,007	—	1,852	—
Regional management income	191	—	199	—
Area management income	193	—	179	—
Other revenue	173	128	148	111
	<u>4,207</u>	<u>1,771</u>	<u>3,958</u>	<u>1,691</u>

### 4. Operating expenses

	<i>Group 2019 \$m</i>	<i>LLP 2019 \$m</i>	<i>Group 2018 \$m</i>	<i>LLP 2018 \$m</i>
People costs	1,941	830	1,852	792
Software and technology costs	582	31	472	17
Market development and initiative costs	506	127	463	125
Professional fees	632	245	683	274
Other operating expenses	511	529	451	471
	<u>4,172</u>	<u>1,762</u>	<u>3,921</u>	<u>1,679</u>

People costs include the cost of individuals whose services are recharged to the group by Member Firms. No staff were directly employed by the group during the current and preceding period except as disclosed in note 5.

Fees payable to the auditor for the audit of the group financial statements were \$197k (2018: \$206k), of which fees payable to the LLP's auditor for the audit of the LLP's financial statements were \$88k (2018: \$87k).

Market development and initiative costs and other operating expenses are stated net of insurance recoveries of \$20m (2018: \$51m).

Included within operating expenses are the following items:

	<i>Group 2019 \$m</i>	<i>LLP 2019 \$m</i>	<i>Group 2018 \$m</i>	<i>LLP 2018 \$m</i>
Operating lease expense	15	3	18	4
Net exchange rate (gains)/losses	(9)	—	6	1
Non-capitalised software development costs	95	—	61	—
Depreciation and amortisation	108	2	101	2

## Notes to the financial statements

at 28 June 2019

### 5. Staff costs

<i>Group only</i>	<i>2019</i> <i>\$m</i>	<i>2018</i> <i>\$m</i>
Salary and benefits	27	28

	<i>2019</i> <i>No.</i>	<i>2018</i> <i>No.</i>
Average number of support staff and partners	135	145

All staff are employed by Ernst & Young Asia-Pacific Services (HK) Limited, one of the group's subsidiaries.

### 6. Net finance costs

	<i>Group</i> <i>2019</i> <i>\$m</i>	<i>LLP</i> <i>2019</i> <i>\$m</i>	<i>Group</i> <i>2018</i> <i>\$m</i>	<i>LLP</i> <i>2018</i> <i>\$m</i>
Interest payable, net of patronage dividend, to EY Global Finance Inc.	17	4	20	6

### 7. Taxation

	<i>Group</i> <i>2019</i> <i>\$m</i>	<i>LLP</i> <i>2019</i> <i>\$m</i>	<i>Group</i> <i>2018</i> <i>\$m</i>	<i>LLP</i> <i>2018</i> <i>\$m</i>
Tax charge	17	5	16	6

The tax charges for the current and prior period comprise overseas withholding taxes. No taxable profit arises in the UK from trading with members because of the group's mutual trader status. All other profits are taxable.

There were no differences between the tax base and carrying amounts of assets or liabilities in the current or prior period, and therefore no deferred tax arose.

### 8. Average number of members

<i>Group and LLP</i>	<i>2019</i> <i>Number</i>	<i>2018</i> <i>Number</i>
Average number of members, including Designated Members	13	13

## Notes to the financial statements

at 28 June 2019

### 9. Plant and equipment

*Group only*

at 28 June 2019

	<i>Leasehold Improvements</i>	<i>Computers and other equipment</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cost:			
At 29 June 2018 and 28 June 2019	17	5	22
Depreciation:			
At 29 June 2018	5	2	7
Charge for the period	2	1	3
At 28 June 2019	7	3	10
Net book value at 28 June 2019	10	2	12

*LLP only*

at 28 June 2019

	<i>Leasehold Improvements</i>	<i>Computers and other equipment</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cost:			
At 29 June 2018 and 28 June 2019	17	3	20
Depreciation:			
At 29 June 2018	5	1	6
Charge for the period	1	1	2
At 28 June 2019	6	2	8
Net book value at 28 June 2019	11	1	12

## Notes to the financial statements

at 28 June 2019

### 9. Plant and equipment (continued)

*Group only*

at 29 June 2018

	<i>Leasehold Improvements</i>	<i>Computers and other equipment</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cost:			
At 30 June 2017	17	4	21
Additions	—	1	1
	<u>17</u>	<u>5</u>	<u>22</u>
At 29 June 2018	17	5	22
Depreciation:			
At 30 June 2017	3	1	4
Charge for the period	2	1	3
	<u>5</u>	<u>2</u>	<u>7</u>
At 29 June 2018	5	2	7
Net book value at 29 June 2018	<u>12</u>	<u>3</u>	<u>15</u>
Net book value at 30 June 2017	<u>14</u>	<u>3</u>	<u>17</u>

*LLP only*

at 29 June 2018

	<i>Leasehold Improvements</i>	<i>Computers and other equipment</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cost:			
At 30 June 2017 and 29 June 2018	17	3	20
Depreciation:			
At 30 June 2017	3	1	4
Charge for the period	2	—	2
	<u>5</u>	<u>1</u>	<u>6</u>
At 29 June 2018	5	1	6
Net book value at 29 June 2018	<u>12</u>	<u>2</u>	<u>14</u>
Net book value at 30 June 2017	<u>14</u>	<u>2</u>	<u>16</u>

## Notes to the financial statements

at 28 June 2019

### 10. Intangible assets

Group only

at 28 June 2019

	<i>Practice management system \$m</i>	<i>Audit software \$m</i>	<i>Other internally developed software \$m</i>	<i>Software licenses \$m</i>	<i>Total \$m</i>
Cost:					
At 29 June 2018	483	190	–	152	825
Additions	68	27	71	10	176
Disposals	–	–	–	(38)	(38)
At 28 June 2019	551	217	71	124	963
Amortisation:					
At 29 June 2018	64	64	–	116	244
Charge for the period	37	33	5	30	105
Disposals	–	–	–	(38)	(38)
At 28 June 2019	101	97	5	108	311
Net book value at 28 June 2019	450	120	66	16	652

at 29 June 2018

	<i>Practice management system \$m</i>	<i>Audit software \$m</i>	<i>Other internally developed software \$m</i>	<i>Software licenses \$m</i>	<i>Total \$m</i>
Cost:					
At 30 June 2017	405	164	–	249	818
Additions	78	26	–	22	126
Disposals	–	–	–	(119)	(119)
At 29 June 2018	483	190	–	152	825
Amortisation:					
At 30 June 2017	34	35	–	196	265
Charge for the period	30	29	–	39	98
Disposals	–	–	–	(119)	(119)
At 29 June 2018	64	64	–	116	244
Net book value at 29 June 2018	419	126	–	36	581
Net book value at 3 July 2017	371	129	–	53	553

## Notes to the financial statements

at 28 June 2019

### 10. Intangible assets (continued)

The practice management system has a remaining amortisation period of 12 years. The audit software includes audit, analytics and research tools which have different remaining amortisation periods of up to five years.

### 11. Trade and other receivables

	<i>Group</i>	<i>LLP</i>	<i>(Restated)</i>	<i>(Restated)</i>
	<i>2019</i>	<i>2019</i>	<i>Group</i>	<i>LLP</i>
	<i>\$m</i>	<i>\$m</i>	<i>2018</i>	<i>2018</i>
			<i>\$m</i>	<i>\$m</i>
<b>Non-current</b>				
Prepayments	13	–	3	–
<b>Current</b>				
Amounts due from Member Firms	1,319	276	1,342	250
Amounts due from subsidiaries	–	417	–	377
Insurance recoverable	20	20	51	51
Prepayments	65	6	71	11
Other receivables	34	10	34	13
	<u>1,438</u>	<u>729</u>	<u>1,498</u>	<u>702</u>

Included within amounts due from Member Firms is \$140m (2018: \$153m) which was unbilled at the period end, of which \$12m (2018: \$5m) relates to the LLP only.

Amounts due from Member Firms and subsidiaries are generally on terms of 30 days. Amounts due from Member Firms are shown net of an allowance amount for expected credit losses, movements on which were as follows:

	<i>Group</i>	<i>LLP</i>	<i>Group</i>	<i>LLP</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
At beginning of the period	34	6	27	7
New and additional provisions	66	6	13	1
Recoveries	(10)	(1)	(6)	(2)
	<u>90</u>	<u>11</u>	<u>34</u>	<u>6</u>

## Notes to the financial statements

at 28 June 2019

### 12. Accrued income

			(Restated)	(Restated)
	Group	LLP	Group	LLP
	2019	2019	2018	2018
	\$m	\$m	\$m	\$m
<b>Non-current</b>				
Accrued income	556	556	605	605
	=====	=====	=====	=====
<b>Current</b>				
Accrued income	80	80	80	80
	=====	=====	=====	=====

### 13. Investment in subsidiaries

LLP only

	2019	2018
	\$m	\$m
Subsidiary undertakings held at cost	—	—
	=====	=====

EYGS LLP has the following subsidiaries:

	Country of incorporation	Nature of business
EY Global Services Limited	United Kingdom	Provision of technology and other services
Ernst & Young (EMEIA) Services Limited	United Kingdom	Services and co-ordination company
Ernst & Young (Asia-Pacific) Services Limited	United Kingdom	Services and co-ordination company
Ernst & Young Asia Pacific Services (HK) Limited*	Hong Kong	Service company
APAC Area Investments Limited *	Hong Kong	Holding company for debentures

\* interest held indirectly

The subsidiaries incorporated in the United Kingdom have their registered office in 6 More London Place, London, SE1 2DA. Those incorporated in Hong Kong have their registered office in 22/F, CITIC Tower, 1 Tim Mei Avenue Central Hong Kong.

EYGS LLP owns, directly or indirectly, 100% of all shares carrying voting rights in each entity. The group owns 100% of the class A share capital of Ernst & Young Asia Pacific Services (HK) Limited, which carries some profit entitlement and all voting rights. The entity also has class B, C and D share capital which is treated as non-controlling interests since it carries no voting rights.



## Notes to the financial statements

at 28 June 2019

### 14. Investment in EY global entities

	<i>Group</i>	<i>LLP</i>	<i>Group</i>	<i>LLP</i>
<i>Non-current</i>	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Investment in EY global entities	–	–	–	–

<i>Group and LLP</i>	<i>Country of Incorporation</i>	<i>Nature of business</i>
EYGBS (India) LLP (22 A Ordinary shares INR 10 or US\$0.20 each)	India	Shared Service Centre
EY Global Services (Poland) Sp.zoo (1 Ordinary share PLN50 or US\$24.63each)	Poland	Shared Service Centre
EY Global Services (Buenos Aires) SRL (120 Ordinary shares ARS10 or US\$2.379 each)	Argentina	Shared Service Centre
EY GDS Holdings Cooperatief U.A. (A cooperative not limited by shares)	Netherlands	Holding company

The LLP holds 22 A ordinary shares in EYGBS (India) LLP which carry 33.33% of the voting rights and is not entitled to any profit. The LLP holds 1% of the voting rights of EY Global Services (Poland) Sp.zoo. It made a capital contribution of PLN 52,261 (\$25k) in EY Global Services (Poland) Sp.zoo of which PLN 52,211 has been treated as share premium by EY Global Services (Poland) Sp.zoo. The LLP holds 10% of the voting rights in EY Global Services (Buenos Aires) SRL. It made a capital contribution of ARS 300 to obtain 120 ordinary shares. Finally, the group holds 8.32% of the membership interests in EY GDS Holdings Cooperatief U.A. of which the LLP holds 2.27% of the membership interests.

### 15. Cash and cash equivalents

	<i>Group</i>	<i>LLP</i>	<i>Group</i>	<i>LLP</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash at banks and in hand	107	45	150	77
Short-term deposits	135	135	–	–
	<u>242</u>	<u>180</u>	<u>150</u>	<u>77</u>

## Notes to the financial statements

at 28 June 2019

### 16. Trade and other payables

	<i>Group</i> <i>2019</i> <i>\$m</i>	<i>LLP</i> <i>2019</i> <i>\$m</i>	<i>Group</i> <i>2018</i> <i>\$m</i>	<i>LLP</i> <i>2018</i> <i>\$m</i>
<b>Non-current</b>				
Amounts due to Member Firms	32	32	83	83
Accruals	45	45	55	55
Interest compensation liability	31	31	32	32
	<u>108</u>	<u>108</u>	<u>170</u>	<u>170</u>
<b>Current</b>				
Amounts due to Member Firms	1,412	465	1,270	415
Amounts due to subsidiaries	–	405	–	315
Accruals	279	72	237	76
Interest compensation liability	2	2	2	2
Other payables	59	9	48	10
	<u>1,752</u>	<u>953</u>	<u>1,557</u>	<u>818</u>

Included within amounts due to Member Firms are accruals of \$872m (2018: \$824m) of which \$385m (2018: \$405m) relates to the LLP only.

### 17. Deferred revenue

	<i>Group</i> <i>2019</i> <i>\$m</i>	<i>LLP</i> <i>2019</i> <i>\$m</i>	<i>(Restated)</i> <i>Group</i> <i>2018</i> <i>\$m</i>	<i>(Restated)</i> <i>LLP</i> <i>2018</i> <i>\$m</i>
Deferred revenue	<u>781</u>	<u>446</u>	<u>800</u>	<u>440</u>

Deferred revenue comprises amounts billed in advance of services being provided.

All deferred revenue at the end of the preceding financial period was recognised as revenue in the current period.

## Notes to the financial statements

at 28 June 2019

### 18. Loans and borrowings

	<i>Group</i>	<i>LLP</i>	<i>Group</i>	<i>LLP</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<b>Non-current</b>				
Loans from EYGF	330	50	330	50
Other loans	3	–	–	–
	<u>333</u>	<u>50</u>	<u>330</u>	<u>50</u>
<b>Current</b>				
Loans from EYGF	2	–	62	–
Bank loan	10	–	10	–
Other loans	4	–	–	–
	<u>16</u>	<u>–</u>	<u>72</u>	<u>–</u>

EY Global Finance Inc (“EYGF”) is a US (Delaware) corporation owned by Member Firms. The non-current loans relate to \$330m (2018: \$330m) of unsecured fixed term loans.

The current loans from EYGF relate to \$2m of accrued interest (2018: \$2m) and a principal drawdown of the revolving credit facility of \$nil (2018: \$60m).

### 19. Retained earnings

#### *Group and LLP*

Profits are allocated to members at the discretion of the designated members. Profit allocations are recognised as a deduction from equity when payment is no longer discretionary. In the current and preceding period the LLP recognised a profit of \$10k.

In the event of a wind-up, retained earnings rank after unsecured creditors.

The objective when managing capital is to safeguard the ability to continue as a going concern. Capital, which comprises the equity of the group, is monitored by the designated members to ensure this objective is met. Long term financing is provided through loans from EYGF which broadly finances core working capital and the group’s investment in intangible fixed assets.

## Notes to the financial statements

at 28 June 2019

### 20. Operating leases

The LLP has entered into a non-cancellable commercial property lease with a remaining term of nine years and a member of the group has entered into data centres leases with remaining terms of six months.

Future minimum rentals payable under these leases as at the period end are as follows:

	2019	2018
	\$m	\$m
Within one year	10	10
In the second to fifth year inclusive	14	14
After five years	13	18
	<u>37</u>	<u>42</u>

### 21. Financial instruments

Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks. The designated members review and agree policies for managing these risks. Financial instruments are not used for speculative activity and complex financial instruments are avoided. Information about how these risks are managed is set out below:

#### *Liquidity risk*

Liquidity risk arises from ongoing financial obligations, including settlement of financial liabilities such as amounts due to Member Firms and loans from EYGF. The group's objective is to maintain a balance between continuity of funding and flexibility through drawing down on the revolving credit facility obtained from EYGF.

The maximum principal value of the draw down on this facility is \$350m (2018: \$350m). \$200m of the facility expires in July 2020 and the remainder expires in July 2021. Additionally, the group has \$330m of fixed term loans from EYGF (2018: \$330m).

Under the contractual arrangements with the Member Firms, invoices are raised and payments received for many of the services in advance of the services being delivered throughout the period. This assists in planning for any financing requirements.

Cleared funds held at banks are monitored daily and surplus funds are placed on overnight deposits. Cash deposits are placed only with relationship banks.

The maturity profile of the undiscounted contractual payments arising from the group's and LLP's financial liabilities at the period end, which includes interest payments, is detailed below:

## Notes to the financial statements

at 28 June 2019

### 21. Financial instruments (continued)

*Liquidity risk (continued)*

**Group**

	<i>Within one year</i>	<i>Between one &amp; two years</i>	<i>Between two &amp; five years</i>	<i>Over five years</i>	<i>Total</i>
<b>at 28 June 2019</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Amounts due to Member Firms	1,412	28	2	2	1,444
Loans from EYGF	16	93	215	51	375
Bank loan	10	—	—	—	10
Other loans	4	3	—	—	7
Interest compensation liability	2	5	7	54	68
Other payables	59	—	—	—	59
	<u>1,503</u>	<u>129</u>	<u>224</u>	<u>107</u>	<u>1,963</u>

<b>at 29 June 2018</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Amounts due to Member Firms	1,270	19	62	2	1,353
Loans from EYGF	78	16	306	54	454
Bank loan	10	—	—	—	10
Interest compensation liability	2	5	7	58	72
Other payables	48	—	—	—	48
	<u>1,408</u>	<u>40</u>	<u>375</u>	<u>114</u>	<u>1,937</u>

**LLP**

	<i>Within one year</i>	<i>Between one &amp; two years</i>	<i>Between two &amp; five years</i>	<i>Over five years</i>	<i>Total</i>
<b>at 28 June 2019</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Amounts due to Member Firms	465	28	2	2	497
Amounts due to subsidiaries	405	—	—	—	405
Loans from EYGF	2	2	54	—	58
Interest compensation liability	2	5	7	54	68
Other payables	9	—	—	—	9
	<u>883</u>	<u>35</u>	<u>63</u>	<u>56</u>	<u>1,037</u>

<b>at 29 June 2018</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Amounts due to Member Firms	415	19	62	2	498
Amounts due to subsidiaries	315	—	—	—	315
Loans from EYGF	2	2	56	—	60
Interest compensation liability	2	5	7	58	72
Other payables	10	—	—	—	10
	<u>744</u>	<u>26</u>	<u>125</u>	<u>60</u>	<u>955</u>

## Notes to the financial statements

at 28 June 2019

### 21. Financial instruments (continued)

#### Credit risk

All revenue is generated from transactions with Member Firms and members of the group. The group does not hold collateral. Invoices are separately assessed for impairment based on level of risk of repayment. The ageing of debtors net of impairment, by reference to due date is as follows:

<i>Group</i>	<i>Not past due</i>	<i>0-3 months</i>	<i>3-6 months</i>	<i>Over 6 months</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<b>at 28 June 2019</b>					
Amounts due from Member Firms	1,000	187	49	83	1,319
Accrued income	636	—	—	—	636
Other receivables	48	1	—	5	54
	<u>1,684</u>	<u>188</u>	<u>49</u>	<u>88</u>	<u>2,009</u>

(Restated)

<i>Group</i>	<i>Not yet due</i>	<i>0-3 months</i>	<i>3-6 months</i>	<i>Over 6 months</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<b>at 29 June 2018</b>					
Amounts due from Member Firms	1,039	156	44	103	1,342
Accrued income	685	—	—	—	685
Other receivables	82	—	—	3	85
	<u>1,806</u>	<u>156</u>	<u>44</u>	<u>106</u>	<u>2,112</u>

<i>LLP</i>	<i>Not yet due</i>	<i>0-3 months</i>	<i>3-6 months</i>	<i>Over 6 months</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<b>at 28 June 2019</b>					
Amounts due from Member Firms	238	18	1	19	276
Amounts due from subsidiaries	250	54	23	90	417
Accrued income	636	—	—	—	636
Other receivables	30	—	—	—	30
	<u>1,154</u>	<u>72</u>	<u>24</u>	<u>109</u>	<u>1,359</u>

(Restated)

	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
<b>at 29 June 2018</b>					
Amounts due from Member Firms	216	7	6	21	250
Amounts due from subsidiaries	251	74	21	31	377
Accrued income	685	—	—	—	685
Other receivables	64	—	—	—	64
	<u>1,216</u>	<u>81</u>	<u>27</u>	<u>52</u>	<u>1,376</u>

## Notes to the financial statements

at 28 June 2019

### 21. Financial instruments (continued)

#### *Credit risk (continued)*

Accrued income at the balance sheet date is expected to be fully recovered from the Member Firms in future periods in line with the group forecast and strategy, accordingly no provision has been made in respect of credit losses.

The maximum exposure to credit risk from trade and other receivables is equal to their carrying value, although credit risk is considered low. The level of the receivables is monitored on a continuous basis.

The LLP and EY Global Services Limited are guarantors for a \$700m facility extended by a consortium of banks to EYGF (2018: \$700m) of which \$119m was drawn down at the period end (2018: \$129m). EYGF also has in issue \$400m (2018: \$400m) of notes payable to certain insurance companies for which the LLP and EY Global Services Limited are guarantors.

The LLP is also guarantor of a \$40m (2018: \$42m) ten-year loan extended by Banc of America Leasing & Capital, LLC to CP Applications LLC. In addition, the LLP is guarantor of a \$6.5m term loan (2018: \$6.5m) extended by EYGF to Shackleton Holdings Limited, a 5m sterling term loan or approximately \$6.4m (2018: \$nil) extended by EYGF to EY Melbourne Holdings Limited, a 5.2 billion Japanese Yen (JPY) or approximately \$49m (2018: \$95m) revolving credit facility extended by EYGF to Ernst & Young Business Initiative Co. Ltd and a 5m sterling or approximately \$6.4m (2018: \$nil) revolving credit facility extended by EYGF to Riverview Law Limited.

The LLP is also a guarantor of two facilities to EY Catalyst Limited: a \$7.8m term loan (2018: \$10m) and a two year revolving credit facility of \$20m (2018: \$20m), of which \$15.5m was drawn down at the period end (2018: \$8.5m).

In addition, a member of the group has cross guaranteed EYGF in respect of guarantees EYGF has provided to (i) HSBC in Seoul on a 13 billion South Korean Won (KRW), or approximately \$11m (2018 : \$12m), borrowing facility extended to Ernst & Young Advisory Inc; (ii) HSBC in Malaysia on a \$15m (2018 : \$18m) borrowing facility extended to Ernst & Young Advisory Services Sdn Bhd ; and (iii) ANZ in Singapore on a \$15m (2018 : \$10m) borrowing facility extended to EY Corporate Services Pte Ltd and Ernst & Young Solutions LLP.

Any payments made under any of these arrangements will be recovered by charging the Member Firms pursuant to the management service agreements entered into between the LLP and the Member Firms. The likelihood of payments under these guarantees is considered remote.

Although both the group and the LLP financial assets are exposed to credit risk, as a result of the contractual arrangements with Member Firms there will be no impact on the reported group and LLP profit before tax and equity as costs resulting from credit risks will be charged to Member Firms.

#### *Interest rate risk*

The group has the following loan and borrowing payable balances:

	2019	2018
	\$m	\$m
Interest bearing loan payable to EYGF	332	392
Interest bearing bank loan	10	10
Other loans	7	—

\$2m of the loan payable to EYGF relates to accrued interest (2018: \$2m) and there was no principal drawdown of the revolving credit facility (2018: \$60m). The revolving credit facility incurs interest at a floating market rate fixed at the time of each draw down for the term of the drawdown. The drawn amount bears interest at LIBOR +2.20% per annum (2018: LIBOR +2.20% per annum), is unsecured and is repayable on demand.

## Notes to the financial statements

at 28 June 2019

### 21. Financial instruments (continued)

#### *Interest rate risk (continued)*

The remaining \$330m (2018: \$330m) loan payable relates to fixed term loans, of which \$80m is repayable in November 2020, \$100m in September 2021, \$50m in August 2022, \$50m in January 2023 and \$50m in November 2024. The loans are unsecured.

\$280m (2018: \$280m) of the fixed term loans incur interest at a rate of 4.95% per annum (2018: 4.95% per annum) and the remaining \$50m (2018: \$50m) incurs interest at a rate of 4.45% per annum. The carrying value of the fixed rate loan approximates fair value. \$50m (2018: \$50m) of the loan payable to EYGF was held by the LLP.

The interest-bearing bank loan is payable to HSBC Hong Kong within a year and bears interest at HIBOR +0.5% per annum (2018: HIBOR +0.5% per annum). The other loans are interest-free.

Interest is also paid by Ernst & Young (Asia-Pacific) Services Limited at 5% per annum or HIBOR, whichever is higher, on certain amounts due to Member Firms.

Cleared funds held at banks earn interest at floating rates based on daily bank deposit rates.

Interest rate risk is not hedged. If interest rates were to change by 0.5% per annum, the impact on the profit due to changes in net finance costs would be \$nil (2018: \$nil).

Although both the group's and LLP's statement of comprehensive income are sensitive to changes in interest rates, as a result of the contractual arrangements with Member Firms there will be no impact on the reported LLP and group profit before tax and equity as changes will be charged to Member Firms.

#### *Foreign currency risk*

The main exposure of the group and the LLP to foreign currency risk comes from amounts due from Member Firms which are denominated in a foreign currency, as well as exposure on amounts due to Member Firms.

The US dollar equivalent of foreign currency denominated balances is as follows:

<b>Group</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>GBP</i>	<i>GBP</i>	<i>EUR</i>	<i>EUR</i>	<i>HKD</i>	<i>HKD</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash and cash equivalents	5	11	10	9	2	4
Trade and other receivables	210	232	38	49	1	1
Trade and other payables	(135)	(173)	(91)	(119)	(18)	(12)
Loan payable	–	–	–	–	(10)	(10)
<b>LLP</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>GBP</i>	<i>GBP</i>	<i>EUR</i>	<i>EUR</i>	<i>HKD</i>	<i>HKD</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash and cash equivalents	2	9	2	1	–	–
Trade and other receivables	10	15	–	1	–	–
Trade and other payables	(39)	(49)	(41)	(40)	(3)	(1)

Where possible, transactions are made in the functional currency (the US dollar). Where this is not possible, material currency exposures are managed by entering into forward exchange contracts, when deemed appropriate. The group does not apply hedge accounting.

At the group level, a 10% change in the sterling exchange rate upon settling monetary assets and liabilities would result in an impact of \$8m (2018: \$7m) on the profit as a result of changes in the value of sterling denominated cash and balances with Member Firms. A 10% change in the euro exchange rate would result in an impact of \$4m (2018: \$6m). A 10% change in the Hong Kong dollar exchange rate would result in an impact of \$3m (2018: \$2m). However, as a result of the contractual arrangements with Member Firms, there will be no impact on the reported LLP and group profit before tax and equity as changes will be charged to Member Firms.



## Notes to the financial statements

at 28 June 2019

### 22. Related parties

The principal activity of the group is the provision of services to each of the Member Firms of the EY network. The ultimate owners of the LLP comprise designated entities of Member Firms from over 150 countries. The group's revenue is generated exclusively from these Member Firms.

The management and control of the LLP is independent from that of the Member Firms. As a result, no individual Member Firm exercises control over the group. However, significant influence could be exerted by a Member Firm or a group of Member Firms with sufficient votes as a result of the LLP's voting structure.

Transactions and balances with related parties are made on an arm's length basis, and are as follows:

#### Group

	<i>Entities able to exert significant influence 2019 \$m</i>	<i>Entities able to exert significant influence 2018 \$m</i>
Revenue	1,594	1,411
Purchases	1,073	933
Amounts due from	398	350
Amounts due to	233	196

#### LLP

	<i>Subsidiaries 2019 \$m</i>	<i>Entities able to exert significant influence 2019 \$m</i>	<i>Subsidiaries 2018 \$m</i>	<i>Entities able to exert significant influence 2018 \$m</i>
Revenue	917	738	900	649
Purchases	572	415	532	379
Amounts due from	417	208	377	187
Amounts due to	405	83	315	72

Charges incurred by the LLP in respect of key management personnel, which consists of the designated members and other members of senior management, were \$62m (2018: \$57m) representing short-term benefits.

All receivable and payable balances with related parties are non-interest bearing. No bad debt expense was recognised in the period in respect of related parties.

Except as disclosed above and elsewhere in the financial statements, there are no other related party transactions.